

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Lenox Township	County Macomb
Fiscal Year End June 30, 2007	Opinion Date December 18, 2007	Date Audit Report Submitted to State December 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

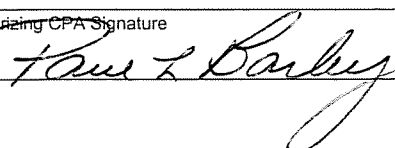
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Stewart, Beauvais, & Whipple		Telephone Number (810) 984-3829	
Street Address 1979 Holland Avenue		City Marysville	State MI
Zip 48060			
Authorizing CPA Signature 		Printed Name Paul L. Bailey	License Number 1101014088

LENOX TOWNSHIP
Macomb County, Michigan

ANNUAL FINANCIAL STATEMENTS
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2007

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

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JUNE 30, 2007

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Lenox Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lenox Township, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lenox Township's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit's financial statements of the Lenox Township Library. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements insofar as it relates to the Lenox Township Library, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lenox Township, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007 on our consideration of the Lenox Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7, and schedules of budgetary comparisons on pages 35 through 37 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lenox Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

December 18, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS

Lenox Township's 2007 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding.

Business-type activities – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as a business-type activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds; not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of \$24.4 million. This is an increase of \$4.8 million over 2006. Government-type activities comprise \$18.5 million, and business-type activities make up \$5.9 million of the total net assets. In a condensed format, the table below shows net assets as of June 30, 2007 and 2006.

In Thousands

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Assets				
Current assets	\$ 11,637	\$ 10,134	\$ 210	\$ 157
Restricted assets	-	-	11,935	728
Other assets	1,217	1,138	(1,005)	(1,121)
Capital assets	<u>6,433</u>	<u>4,088</u>	<u>13,657</u>	<u>5,696</u>
Total assets	<u>19,287</u>	<u>15,360</u>	<u>24,797</u>	<u>5,460</u>
Liabilities				
Current liabilities	722	190	876	113
Long-term liabilities	<u>-</u>	<u>-</u>	<u>18,047</u>	<u>915</u>
Total liabilities	<u>722</u>	<u>190</u>	<u>18,923</u>	<u>1,028</u>
Net Assets				
Invested in capital assets –				
Net of related debt	6,433	4,088	5,112	3,643
Restricted	913	1,145	751	728
Unrestricted	<u>11,219</u>	<u>9,937</u>	<u>11</u>	<u>61</u>
Total net assets	<u>\$ 18,565</u>	<u>\$ 15,170</u>	<u>\$ 5,874</u>	<u>\$ 4,432</u>

The Township governmental activities experienced a net change in assets of \$3,394,828. The main reason is a result of receiving \$3,558,020 of landfill tipping fees from Pine Tree Acres. The business-type activities experienced a net change in assets of \$1,441,801 partly due to a capital contribution of \$1,422,864.

The following table shows the changes in net assets for 2007 and 2006:

In Thousands

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Revenue				
Program revenue:				
Charges for services	\$ 278	\$ 221	\$ 825	\$ 610
Operating grants and contributions	2	46	-	-
Capital grants and contributions	100	121	1,423	126
General revenue:				
Property taxes	1,037	966	-	-
State-shared revenue	317	323	-	-
Unrestricted investment earnings	316	257	202	30
Franchise fees and other	43	61	-	-
Landfill tipping fees	3,558	3,588	-	-
Gain on sale/retirement of assets	1	-	-	17
Total Revenue	<u>5,652</u>	<u>5,583</u>	<u>2,450</u>	<u>783</u>
Program Expenses				
General government	727	650	-	-
Public safety	972	1,005	-	-
Public works	261	515	-	-
Health and welfare	247	32	-	-
Recreation and cultural	50	74	-	-
Water and sewer	-	-	908	675
Total Program Expenses	<u>2,257</u>	<u>2,276</u>	<u>908</u>	<u>675</u>
Changes in net assets before transfers and special items	3,395	3,307	1,542	108
Special items	-	-	(100)	-
Transfers	-	(206)	-	206
Changes in net assets	<u>\$ 3,395</u>	<u>\$ 3,101</u>	<u>\$ 1,442</u>	<u>\$ 314</u>

Governmental Activities

Revenues for governmental activities totaled \$5.7 million in 2007. Of this amount \$3.6 million was received for landfill tipping fees. The next largest revenue sources were from property tax collections of \$1 million, which was a 7.0% increase from the prior year and state shared revenue of \$.3 million, which remained fairly consistent between the years.

Business-type Activities

The Township has one business-type activity, the water and sewer operations. Total revenues, including capital contributions of \$1.4 million, were \$2.4 million and expenses were \$1.0 million for a change in net assets of \$1.4 million.

The water and sewer operation consists of the following: water is provided to the Township residents via the Detroit Water and Sewer Department, and sewage treatment is provided by contracts with the Detroit Water and Sewer Department and Macomb County.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Funds

The General Fund ended 2007 with a fund balance of \$2.5 million, with \$1.2 reserved for advances to other funds and prepaid expenses and the remaining balance undesignated.

The Township's other major governmental funds had the following revenues over (under) expenditures as follows:

- The Fire Fund had revenues over expenditures of \$75,473. The original budget estimated \$160,100 and the final budget \$12,680.
- The PTA (Pine Tree Acres) Fund had revenues over expenditures of \$1,022,709. The original budget estimated \$840,000 and final budget estimated \$906,032.

The budgets were amended throughout the year as deemed necessary, primarily to prevent over expenditure. The following significant amendments were made during the year:

- General services expenditures in the general fund were increased from \$194,500 to \$266,000 to cover increased costs of employee fringes and legal fees.
- Public safety expenditures in the fire fund were increased from \$359,900 to \$507,320 to cover costs for repairs and the purchase of a fire truck.

Significant variations of final budget to actual amounts are as follows:

- The Township Fire fund received \$154,206 more than budgeted, primarily as a result of a federal grant for the purchase of breathing equipment. Expenditures for the Fire Fund were \$91,413 more than budgeted because of the same purchase.
- The PTA Fund spent \$233,978 more than budgeted primarily due to construction of the new township hall.

Proprietary Fund

As indicated earlier the Township only has one proprietary fund, the water and sewer operation. Total revenues including capital contributions of \$1,422,864 were \$2,449,867 and expenses were \$1,008,066 for an increase in net assets of \$1,441,801.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$20.1 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2007, excluding component units. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines.

During the year the Township added \$10,646,939 of capital assets, \$2,540,214 in the governmental activities and \$8,106,725 in the business-type activities.

Of the \$2,540,214 purchased in the government-type activities \$2,266,582 was for construction on the Township Hall. The \$8,106,725 addition in the business-type activities was for construction of water and sewer mains along Gratiot and 26 Mile roads.

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Land	\$ 1,241,173	\$ 1,241,173	\$ -	\$ -
Land improvements	1,469,764	1,469,764	-	-
Building	1,553,120	1,553,120	190,139	190,139
Equipment	654,966	559,596	117,690	120,578
Vehicles	991,734	818,860	-	-
Water and sewer	-	-	5,860,365	5,860,365
Construction in progress	<u>2,519,158</u>	<u>252,576</u>	<u>9,076,363</u>	<u>969,638</u>
	8,429,915	5,895,089	15,244,557	7,140,720
Accumulated depreciation	(1,996,861)	(1,807,177)	(1,587,978)	(1,445,064)
	<u>\$ 6,433,054</u>	<u>\$ 4,087,912</u>	<u>\$ 13,656,579</u>	<u>\$ 5,695,656</u>

The Township is currently undergoing construction of a new Township Hall, improvements to the North Gratiot/New Haven Sanitary Sewer, and construction of mains on 26 Mile Road. Commitments related to these projects at June 30, 2007 can be found in Note 12.

Additional information on the Township's capital assets can be found in Note 4.

Long-Term Debt

At June 30, 2007 the Township's business-type activities had debt outstanding of \$18,047,186, an increase of \$17,132,186 from the prior year. This debt is related to the construction of the water supply system and the North Gratiot/New Haven Sanitary Sewers.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State Shared Revenue is expected to stay at the previous years' levels. The Gratiot Sewer system is completed and will be up and running January of 2008. The new Meijer store is open for business. The new township hall will be completed in February of 2008. All funds for this building were previously budgeted for, thus no borrowed funds are needed.

CONTACTING THE TOWNSHIP

This financial report is designed to provide a general overview of the Township's finances to our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (586) 727-2085.

Separately issued financial statements of the Lenox Township Library, a component unit of the Township, may be obtained by contacting the Library at 58976 Main Street, New Haven, Michigan 48048.

BASIC FINANCIAL STATEMENTS

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Library
ASSETS:				
Cash and cash equivalents	\$ 8,138,035	\$ 138,454	\$ 8,276,489	\$ 693,212
Investments	3,075,501	-	3,075,501	107,349
Receivables	198,975	90,701	289,676	407
Due from other governmental units	142,308	-	142,308	13,317
Internal Balances	33,130	(33,535)	(405)	-
Prepaid expenses	48,748	15,309	64,057	4,933
Advance to (from) other funds	1,216,778	(1,216,778)	-	-
Restricted Assets -				
Deposits with County	-	11,935,508	11,935,508	-
Deferred Charges	-	211,568	211,568	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	3,760,331	9,076,363	12,836,694	-
Assets being depreciated	2,672,723	4,580,216	7,252,939	191,269
Total Assets	<u>19,286,529</u>	<u>24,797,806</u>	<u>44,084,335</u>	<u>1,010,487</u>
LIABILITIES:				
Payables and accrued liabilities	711,337	200,157	911,494	5,269
Unearned revenue	10,242	-	10,242	407
Liabilities payable from restricted assets	-	676,293	676,293	-
Non-current liabilities				
Due within one year	-	628,538	628,538	-
Due in more than one year	-	17,418,648	17,418,648	-
Total Liabilities	<u>721,579</u>	<u>18,923,636</u>	<u>19,645,215</u>	<u>5,676</u>
NET ASSETS:				
Invested in capital assets, net of related liabilities	6,433,054	5,111,789	11,544,843	191,269
Net assets				
Restricted -				
Acquisition/construction of capital assets	-	751,609	751,609	-
Debt	33,552	-	33,552	-
Fire Operations	867,681	-	867,681	-
Road Activity	404,502	-	404,502	-
Other	11,827	-	11,827	-
Unrestricted	<u>10,814,334</u>	<u>10,772</u>	<u>10,825,106</u>	<u>813,542</u>
Total Net Assets	<u>\$ 18,564,950</u>	<u>\$ 5,874,170</u>	<u>\$ 24,439,120</u>	<u>\$ 1,004,811</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 727,105	\$ 62,208	\$ 1,664	\$ -
Public Safety	916,502	210,619	-	100,385
Public Works	261,242	5,000	-	-
Health and Welfare	247,016	-	-	-
Community and Economic Development	55,608	-	-	-
Recreation and Culture	49,876	475	-	-
Total governmental activities	<u>2,257,349</u>	<u>278,302</u>	<u>1,664</u>	<u>100,385</u>
Business type activities:				
Water Supply and Sewage Disposal System	<u>908,066</u>	<u>825,440</u>	<u>-</u>	<u>1,422,864</u>
Total Primary Government	<u>\$ 3,165,415</u>	<u>\$ 1,103,742</u>	<u>\$ 1,664</u>	<u>\$ 1,523,249</u>
Component Unit				
Township Library	<u>\$ 258,140</u>	<u>\$ 6,625</u>	<u>\$ 4,400</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Grants and contribution not				
restricted to specific programs				
- State Shared revenue				
- Franchise fees				
- Pine Tree Acres - excess tipping				
- Other				
Unrestricted investment income				
Gain on sale/retirement of capital assets				
Special items - legal settlement				
Total general revenues, transfers, and special items				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets			
Governmental Activities	Primary Government		Component Units
	Business Type Activities	Total	Library
\$(663,233)	\$ -	\$(663,233)	\$ -
(605,498)	-	(605,498)	-
(256,242)	-	(256,242)	-
(247,016)	-	(247,016)	-
(55,608)	-	(55,608)	-
(49,401)	-	(49,401)	-
(1,876,998)	-	(1,876,998)	-
-	1,340,238	1,340,238	-
(1,876,998)	1,340,238	(536,760)	-
-	-	-	(247,115)
1,037,097	-	1,037,097	357,591
316,616	-	316,616	20,275
29,803	-	29,803	-
3,558,020	-	3,558,020	-
13,487	-	13,487	8,560
315,703	201,563	517,266	29,824
1,100	-	1,100	-
-	(100,000)	(100,000)	-
5,271,826	101,563	5,373,389	416,250
3,394,828	1,441,801	4,836,629	169,135
15,170,122	4,432,369	19,602,491	835,676
\$ 18,564,950	\$ 5,874,170	\$ 24,439,120	\$ 1,004,811

LENOX TOWNSHIP
Macomb County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Fire Fund	PTA Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,783,935	\$ 900,479	\$ 5,041,229	\$ 412,392	\$ 8,138,035
Investments	-	-	3,042,005	33,496	3,075,501
Receivables -					
Interest and accounts	32,829	-	166,090	56	198,975
Due from other governmental units -					
Federal/State	102,563	4,237	-	-	106,800
Local	35,508	-	-	-	35,508
Prepaid expenditures	23,045	25,703	-	-	48,748
Due from other funds	56,545	-	624,984	11,827	693,356
Advances to other funds	1,216,778	-	-	-	1,216,778
Total Assets	<u>\$ 3,251,203</u>	<u>\$ 930,419</u>	<u>\$ 8,874,308</u>	<u>\$ 457,771</u>	<u>\$ 13,513,701</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 21,430	\$ 7,490	\$ 559,369	\$ 102	\$ 588,391
Accrued wages	90,708	32,238	-	-	122,946
Due to other funds	637,216	23,010	-	-	660,226
Deferred revenue	10,242	-	-	-	10,242
Total Liabilities	<u>759,596</u>	<u>62,738</u>	<u>559,369</u>	<u>102</u>	<u>1,381,805</u>
Fund Balances:					
Reserved -	1,239,823	25,703	-	33,552	1,299,078
Unreserved -					
Designated	-	-	6,650,360	-	6,650,360
Undesignated -					
General Fund	1,251,784	-	-	-	1,251,784
Special Revenue Funds	-	841,978	1,664,579	424,117	2,930,674
Total Equity	<u>2,491,607</u>	<u>867,681</u>	<u>8,314,939</u>	<u>457,669</u>	<u>12,131,896</u>
Total Liabilities and Fund Balance	<u>\$ 3,251,203</u>	<u>\$ 930,419</u>	<u>\$ 8,874,308</u>	<u>\$ 457,771</u>	<u>\$ 13,513,701</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Fund Balances - total governmental funds	\$ 12,131,896
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	8,429,915
Accumulated depreciation	<u>(1,996,861)</u>
Net Assets of governmental activities	<u><u>\$ 18,564,950</u></u>

The notes to the financial statements are an integral part of this statement.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General	Fire Fund	PTA Revenue Fund	Other Governmental Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 363,266	\$ 524,098	\$ -	\$ 149,733	\$ 1,037,097
Licenses and permits	161,229	-	-	-	161,229
Intergovernmental	320,135	100,385	-	1,664	422,184
Charges for services	78,919	-	-	5,000	83,919
Fines and forfeits	13,487	-	-	-	13,487
Interest and rent	64,372	34,723	200,667	15,941	315,703
Other	45,538	15,000	3,558,020	-	3,618,558
Total Revenues	<u>1,046,946</u>	<u>674,206</u>	<u>3,758,687</u>	<u>172,338</u>	<u>5,652,177</u>
Expenditures:					
Current -					
General Government	653,173	-	2,280,912	-	2,934,085
Public Safety	434,156	598,733	22,198	7,193	1,062,280
Public Works	2,206	-	194,628	56,792	253,626
Health and Welfare	8,776	-	238,240	-	247,016
Community and					
Economic Development	55,608	-	-	-	55,608
Recreation and Cultural	49,876	-	-	-	49,876
Total Expenditures	<u>1,203,795</u>	<u>598,733</u>	<u>2,735,978</u>	<u>63,985</u>	<u>4,602,491</u>
Revenues over (under) expenditures	<u>(156,849)</u>	<u>75,473</u>	<u>1,022,709</u>	<u>108,353</u>	<u>1,049,686</u>
Other Financing Sources (Uses):					
Transfers out	-	-	-	(13,683)	(13,683)
Transfers in	13,683	-	-	-	13,683
Total Financing Sources (Uses)	<u>13,683</u>	<u>-</u>	<u>-</u>	<u>(13,683)</u>	<u>-</u>
Net Change in Fund Balances	<u>(143,166)</u>	<u>75,473</u>	<u>1,022,709</u>	<u>94,670</u>	<u>1,049,686</u>
Fund Balances at beginning of year	<u>2,634,773</u>	<u>792,208</u>	<u>7,292,230</u>	<u>362,999</u>	<u>11,082,210</u>
Fund Balances at end of year	<u>\$ 2,491,607</u>	<u>\$ 867,681</u>	<u>\$ 8,314,939</u>	<u>\$ 457,669</u>	<u>\$ 12,131,896</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2007**

Net change in fund balances - total governmental funds	\$ 1,049,686
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	2,540,214
Depreciation expense	(192,738)
Loss on sale/disposal of assets	<u>(2,334)</u>
Change in net assets of governmental activities	<u><u>\$ 3,394,828</u></u>

The notes to the financial statements are an integral part of this statement.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>Water Supply & Sewage Disposal System</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 138,454
Accounts receivable -	
Water and sewer billing	49,972
Tap Fees	40,729
Prepaid expenses	15,309
Total Current Assets	<u>244,464</u>
Restricted Assets:	
Deposits with County	<u>11,935,508</u>
Capital Assets:	
Property, plant and equipment	
net of accumulated depreciation	<u>13,656,579</u>
Other Assets:	
Deferred charges (net of amortization)	<u>211,568</u>
Total Assets	<u>26,048,119</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	91,109
Accrued liabilities	6,501
Due to other governmental units	31,612
Legal settlement payable	70,935
Due to other funds	33,535
Total Current Liabilities	<u>233,692</u>
Current Liabilities - Payable From Restricted Assets:	
Accounts payable	209,166
Due to other governmental units	343,052
Bonds payable (current portion)	628,538
Accrued interest	124,075
Total Liabilities Payable From Restricted Assets	<u>1,304,831</u>
Long-Term Liabilities (less current portions):	
Advance from general fund	1,216,778
Bonds payable	17,418,648
Total Long-Term Liabilities	<u>18,635,426</u>
Total Liabilities	<u>20,173,949</u>
NET ASSETS:	
Invested in capital assets, net	5,111,789
Restricted	751,609
Unrestricted	10,772
Total Net Assets	<u>\$ 5,874,170</u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	Water Supply & Sewage Disposal System
Operating Revenues:	
User charges	\$ 644,737
Miscellaneous	808
Total Operating Revenues	<u>645,545</u>
Operating Expenses:	
Salaries and wages	45,035
Fringe benefits	14,642
Engineering	14,125
Water and sewer charges	348,003
Supplies	10,854
Repairs and maintenance	23,918
Insurance	5,078
Training	444
Contractual services	19,726
Utilities	12,611
Depreciation	145,802
Other	8,943
Total Operating Expenses	<u>649,181</u>
Operating Loss	<u>(3,636)</u>
Non-Operating Revenues (Expenses):	
System development fees	179,895
Interest income	201,563
Amortization of bond issuance costs	(7,799)
Interest expense	(251,086)
Total Non-Operating Revenues (Expenses)	<u>122,573</u>
Net Loss Before Contributions	118,937
Capital Contributions	1,422,864
Special Items - Legal Settlement	<u>(100,000)</u>
Change in Net Assets	1,441,801
Net Assets at beginning of year	<u>4,432,369</u>
Net Assets end of year	<u><u>\$ 5,874,170</u></u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2007

	Water Supply & Sewage Disposal System
Cash Flows From Operating Activities:	
Cash receipts from customers	\$ 632,270
Cash payments to suppliers	(517,459)
Cash payments to employees	(43,149)
Net Cash Provided by Operating Activities	<u>71,662</u>
Cash Flows From Capital and Related Financing Activities:	
Advances/due to other funds	57,933
Proceeds from system development fees	272,886
Contributed Capital	1,422,864
Acquisition and construction of capital assets	(7,554,507)
Bond Proceeds	17,467,186
Payment of interest and agent fees	(134,753)
Issuance costs	(203,185)
Payment of long-term debt	(335,000)
Change in deposit with County	(11,207,485)
Net Cash Used by Capital and Related Financing Activities	<u>(214,061)</u>
Cash Flows From Investing Activities:	
Interest earned	201,563
Net Cash Provided by Investing Activities	<u>201,563</u>
Net Increase in Cash and Cash Equivalents	59,164
Cash and Cash Equivalents at Beginning of Year	<u>79,290</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 138,454</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss for the year	\$(3,636)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation	145,802
Change in assets and liabilities-	
Receivable	(13,275)
Prepays	6,606
Accounts payable	(65,721)
Accrued liabilities	1,886
Net Cash Provided By Operating Activities	<u><u>\$ 71,662</u></u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP
Macomb County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	<u>Agency Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 57,726
Due from other funds	<u> 405</u>
	<u><u>\$ 58,131</u></u>
 LIABILITIES:	
Due to individuals and agencies	<u><u>\$ 58,131</u></u>

The accompanying notes are an integral part of these financial statements.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The accounting methods and procedures adopted by Lenox Township, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following Notes to the Financial Statements are an integral part of the Township's Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity –

The Township of Lenox, a municipal corporation, was organized as a Township in 1837, and operates under the provisions of the constitution and general law of the State of Michigan. The Township is one of twelve (12) Townships in Macomb County and covers an area of approximately 26 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer and two Trustees, and provides services to its more than 5,000 residents in many areas including police, fire protection and roads.

These financial statements presented the Township and the component units, entities for which the township is considered to be financially accountable. Discretely presented component units are reported on a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Discretely Presented Component Unit - The component unit column in the combined statement includes the financial data of the Lenox Township Library. The Library operates under the authority of PA 164 of the Michigan Public Acts of 1877. The entity has an independent Board that is elected by the residents of Lenox Township and the Village of New Haven. A majority of the Library revenues is from property taxes collected from the residents of Lenox Township.

The financial statements of the Lenox Township Library are audited separately and may be obtained from the Lenox Township Library at the following address:

Lenox Township Library
58976 Main Street
New Haven, MI 48048

B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on August 31, are recognized as revenue in the year due. All other revenue items are considered to be measurable and available only when cash is received by the Township.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The Township reports the following major governmental funds:

General Fund – is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

PTA (Pine Tree Acres) Revenue Fund – is a special revenue fund used to account for tipping fees, revenues and the related expenditures.

The Township reports the following major proprietary funds:

Water & Sewage Disposal System – is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users.

Additionally, the Township reports the following fund types –

Special Revenue Funds – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Debt Service Fund – is used to account for accumulation of resources for and the payment of, general long-term debt principal, interest and related costs.

Agency Fund – is used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services. Operating expenses from the Enterprise Fund include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Assets or Equity –

Deposits and Investments –

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments consist of certificates of deposit with a maturity of more than ninety days from the date of requisition, which is recorded at "fair value". For the purpose of the Statement of Cash Flows presented for the Proprietary Fund Type, the Township considers all highly liquid investments (including restricted assets) with original maturities of ninety days or less to be cash equivalents.

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property the receivables are shown net of an allowance for uncollectible.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Prepaid Items –

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Calendar –

The Township's property tax is levied in December on the assessed valuation of property located in the Township as of the preceding December 31 and is treated as revenue in the current fiscal year. The Township also collects taxes for the County, Intermediate School District, Community College and Local School District. Collections of all taxes other than Township taxes and the remittance of them are accounted for in the Tax Collection Fund.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government</u>	<u>Component Unit</u>
Buildings and improvements	10-50	15-40
Utility systems	5-50	-
Machinery and equipment	5-10	7
Vehicles	8-15	-
Library books and materials	-	7

Compensated Absences –

The Township does not allow employees to accumulate vacation and sick time from year to year.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity–

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The Township Supervisor prepares and submits the proposed operating budgets for the fiscal year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the activity level for the General Fund and the function level for Special Revenue Funds. However, for control purposes all the budgets are maintained at the object (account) level.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

During the year the Township incurred expenditures in the General and Special Revenue Funds, which were in excess of the amounts appropriated as follows:

Excess of Expenditures Over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund –			
General Government –			
Legislative	\$ 9,550	\$ 10,001	\$ 451
Supervisor	51,000	52,319	1,319
Treasurer	62,725	68,971	6,246
Assessor	76,165	81,106	4,941
Township Hall	114,500	122,581	8,081
Public Safety –			
Law Enforcement	250,000	260,856	10,856
Building & Inspection	127,700	173,300	45,600
Health and Welfare –			
Community Action Program	-	8,776	8,776
Community and Economic Development –			
Planning Commission	38,800	53,688	14,888
Recreation and Culture –			
Township Park	39,000	49,876	10,876
PTA Fund –			
General Government	1,750,000	2,280,912	530,912
Fire Fund –			
Public Safety	507,320	598,733	91,413

The Township also failed to adopt a budget for two special revenue funds, the Monitoring Fee Fund and the Environmental Protection Fund.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2007, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Deposits -				
Petty Cash	\$ 650	\$ -	\$ -	\$ 650
Deposits with Financial Institutions	<u>2,745,280</u>	<u>57,726</u>	<u>800,561</u>	<u>3,603,567</u>
Total Deposits	<u>2,745,930</u>	<u>57,726</u>	<u>800,561</u>	<u>3,604,217</u>
Investments -				
Investment Trust Funds	6,613,094	-	-	6,613,094
U.S. Treasury Securities	<u>1,992,966</u>	<u>-</u>	<u>-</u>	<u>1,992,966</u>
Total Investments	<u>8,606,060</u>	<u>-</u>	<u>-</u>	<u>8,606,060</u>
Grand Total	<u>\$ 11,351,990</u>	<u>\$ 57,726</u>	<u>\$ 800,561</u>	<u>\$12,210,277</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Reconciliation To Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 650	\$ -	\$ -	\$ 650
Deposits with Financial Institutions	1,662,745	57,726	693,212	2,413,683
Investment Trust Funds	<u>6,613,094</u>	<u>-</u>	<u>-</u>	<u>6,613,094</u>
Total Cash and Cash Equivalents	<u>8,276,489</u>	<u>57,726</u>	<u>693,212</u>	<u>9,027,427</u>
Reported as Investments-				
Deposits with Financial Institutions	1,082,535	-	107,349	1,189,884
U.S. Treasury and Agencies	<u>1,992,966</u>	<u>-</u>	<u>-</u>	<u>1,992,966</u>
Total Investments	<u>3,075,501</u>	<u>-</u>	<u>107,349</u>	<u>3,182,850</u>
Grand Total- Combined Balance Sheet	<u>\$ 11,351,990</u>	<u>\$ 57,726</u>	<u>\$ 800,561</u>	<u>\$12,210,277</u>

The Township's investment policy primary objectives are foremost safety of principle, followed by diversification, maintaining adequate liquidity and return on investment. The Township Treasurer is responsible for the investing of the Township funds in accordance with the Township investment policy.

Deposits –

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

Custodial credit risk-Deposits-is the risk that in the event of a bank failure, the Township's deposit may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Township, as of June 30, 2007, the bank balance of the Township's deposits was \$2,866,248 of which \$674,824 was FDIC insured with the remaining balance of \$2,191,424 uninsured and uncollateralized. In addition the component unit had a bank balance of \$809,400 of which \$300,167 was covered by FDIC insurance, with the remaining balance uninsured and uncollateralized.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Investments -

Act 20 PA 1994 as amended by Act 1997 PA 1999 and the Township investment policy authorizes the Township to invest surplus funds in mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

At June 30, 2007, the Township was invested in the following types of investments:

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Comerica Investment Trust Fund	\$ 4,094,560	Not Rated	N/A	20
LaSalle Bank Investment Trust Fund	2,518,534	AAAm	S & P's	14
U.S. Treasury Securities	1,992,966	AAA	S & P's	N/A

The investment trust funds invest primarily in repurchase agreements, commercial paper, and U.S. Treasury securities.

Custodial credit risk – is the risk that in the event of a failure of the counterparty, the Township may not be able to recover the value of its investments that are in the possession of another party. The Township's investment policy does not address custodial credit risk.

Interest rate risk – is the risk that the market value of securities in the Township's portfolio will fall due to changes in market interest increases. The Township policy indicates the portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycle, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. The Township's investment policy does not specifically address interest rate risk.

Credit risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the Township investment policy limits the type of investments the Township can purchase. The Township's investment policy does not specifically address credit risk of investments.

Concentration of credit risk – is the risk of loss attributed to the magnitude of the Township's investments in a single issuer. The Township's investment policy specifies that investments shall be diversified by security type and institution in order that potential losses on individual securities does not exceed the income generated from the remainder of the portfolio. The Township's investment policy does not specifically address concentration of credit risk.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2007 was as follows:

	July 1, 2006			June 30, 2007
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,241,173	\$ -	\$ -	\$ 1,241,173
Construction in progress	<u>252,576</u>	<u>2,266,582</u>	<u>-</u>	<u>2,519,158</u>
Total capital assets not being depreciated	<u>1,493,749</u>	<u>2,266,582</u>	<u>-</u>	<u>3,760,331</u>
Capital assets, being depreciated:				
Land improvements	1,469,764	-	-	1,469,764
Buildings	1,553,120	-	-	1,553,120
Equipment	559,596	100,758	5,388	654,966
Vehicles	<u>818,860</u>	<u>172,874</u>	<u>-</u>	<u>991,734</u>
Total capital assets being depreciated	4,401,340	273,632	5,388	4,669,584
Less accumulated depreciation	(1,807,177)	(192,738)	(3,054)	(1,996,861)
Total capital assets being depreciated, net	<u>2,594,163</u>	<u>80,894</u>	<u>2,334</u>	<u>2,672,723</u>
Governmental activities capital assets, net	<u>\$ 4,087,912</u>	<u>\$ 2,347,476</u>	<u>\$ 2,334</u>	<u>\$ 6,433,054</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 969,638</u>	<u>\$ 8,106,725</u>	<u>\$ -</u>	<u>\$ 9,076,363</u>
Capital assets, being depreciated:				
Buildings	190,139	-	-	190,139
Mains and extensions	5,860,365	-	-	5,860,365
Equipment	<u>120,578</u>	<u>-</u>	<u>2,888</u>	<u>117,690</u>
Total capital assets being depreciated	6,171,082	-	2,888	6,168,194
Less accumulated depreciation	(1,445,064)	(145,802)	(2,888)	(1,587,978)
Total capital assets being depreciated, net	<u>4,726,018</u>	<u>(145,802)</u>	<u>-</u>	<u>4,580,216</u>
Business activities capital assets, net	<u>\$ 5,695,656</u>	<u>\$ 7,960,923</u>	<u>\$ -</u>	<u>\$ 13,656,579</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 24,956
Public Safety	104,060
Public Works	7,497
Recreation and Cultural	<u>56,225</u>
Total depreciation expense-governmental activities	<u>\$ 192,738</u>
Business-type activities:	
Water and Sewer	<u>\$ 145,802</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 - CAPITAL ASSETS – (cont'd):

Component Unit -

Following is a summary of changes in general fixed assets of the Library, a Discretely Presented Component Unit, for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Buildings and improvements	\$ 137,152	\$ -	\$ -	\$ 137,152
Furniture and equipment	29,148	4,400	11,260	22,288
Library books and materials	<u>163,915</u>	<u>28,684</u>	<u>14,878</u>	<u>177,721</u>
	330,215	33,084	26,138	337,161
Accumulated depreciation	(141,802)	(28,217)	(24,127)	(145,892)
	<u>\$ 188,413</u>	<u>\$ 4,867</u>	<u>\$ 2,011</u>	<u>\$ 191,269</u>

NOTE 5 - LONG-TERM DEBT:

Primary Government -

The following is a summary of changes in the long-term debt (including current portion) of the Township for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
<u>Enterprise Fund:</u>					
<u>Bonds Payable -</u>					
Water Supply System 13	\$ 295,000	\$ -	\$ 145,000	\$ 150,000	\$ 150,000
Water Supply System 14	620,000	-	90,000	530,000	95,000
North Gratiot Interceptor Drain Bonds	-	15,200,000	100,000	15,100,000	350,000
North Gratiot Interceptor Drain Bonds Series 2006A	<u>-</u>	<u>2,267,186</u>	<u>-</u>	<u>2,267,186</u>	<u>33,538</u>
	<u>\$ 915,000</u>	<u>\$17,467,186</u>	<u>\$ 335,000</u>	<u>\$ 18,047,186</u>	<u>\$ 628,538</u>

Significant details regarding outstanding long-term debt are presented below:

Enterprise Fund:

Contracts/Bonds Payable -

\$1,590,000 Macomb County Water Supply System 13 (Lenox Township Section 2) Bonds, dated March 1, 1994, due May 1, 2008 with a final installment of \$150,000 with interest of 5.10 percent payable semi-annually \$ 150,000

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 - LONG-TERM DEBT - (cont'd):

\$1,050,000 Macomb County Water Supply 14 (Lenox Township Section 3) Bonds, dated March 1, 1997, due in annual installments beginning November 1, 2001, ranging from \$95,000 to \$120,000 through November 1, 2011. Interest is payable semi-annually with rates ranging from 4.90 to 5.30 percent

\$ 530,000

\$15,200,000 North Gratiot Interceptor Drainage District Drain Bonds, dated March 1, 2007, due in annual installments ranging from \$350,000 to \$900,000 through May 1, 2031, with interest ranging from 4.0 to 4.25 percent payable semi-annually

15,100,000

\$2,267,186 North Gratiot Interceptor Drainage District Drain Bonds, Series 2006 A, dated November 1, 2006, due in annual installments ranging from \$33,538 to \$167,691 through May 1, 2032, with interest ranging from 3.75 to 4.25 percent payable semi-annually

2,267,186

\$ 18,047,186

The annual requirements to amortize bonds outstanding at June 30, 2007 are as follows:

	<u>System 13</u>		<u>System 14</u>		<u>North Gratiot Interceptor Drain</u>		<u>North Gratiot Interceptor Drain, Series 2006 A</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 150,000	\$ 7,650	\$ 95,000	\$ 24,763	\$ 350,000	\$ 616,500	\$ 33,538	\$ 93,211
2009	-	-	100,000	19,935	350,000	602,500	33,538	91,953
2010	-	-	105,000	14,757	400,000	588,500	50,307	90,696
2011	-	-	110,000	9,220	400,000	572,500	50,307	88,809
2012	-	-	120,000	3,180	450,000	556,500	50,307	86,923
2013-2017	-	-	-	-	2,650,000	2,494,500	321,969	398,862
2018-2022	-	-	-	-	3,200,000	1,910,500	435,997	323,267
2023-2027	-	-	-	-	3,700,000	1,227,563	519,843	227,951
2028-2032	-	-	-	-	<u>3,600,000</u>	<u>381,375</u>	<u>771,380</u>	<u>101,420</u>
	<u>\$ 150,000</u>	<u>\$ 7,650</u>	<u>\$ 530,000</u>	<u>\$ 71,855</u>	<u>\$15,100,000</u>	<u>\$8,950,438</u>	<u>\$ 2,267,186</u>	<u>\$1,503,092</u>

The Township has a commitment from the State of Michigan Department of Corrections to contribute \$1,727,466 for the cost of construction of the interceptor drain. However, because the contribution needs to be included in the State's budget and the agreement is being reviewed, a receivable has not been recorded at June 30, 2007. Any contribution amount received will be recognized in future years.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE BALANCES:

The composition of interfund balances as of June 30, 2007:

Due to/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 23,010
	Water & Sewage Disposal Fund	<u>33,535</u>
		56,545
PTA Revenue Fund	General Fund	624,984
Liquor Law Enforcement Fund	General Fund	11,827
Trust & Agency Fund	General Fund	<u>405</u>
		<u>\$ 693,761</u>

Advance To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewage Disposal Fund	<u>\$ 1,216,778</u>

The long-term advances were made to construct utilities systems.

Transfers From/To Other Funds –

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Chapter 20 Drain Fund	<u>\$ 13,683</u>

The transfer was used to cover drain repairs paid by the general fund.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 - COMMUNITY DEVELOPMENT BLOCK GRANT:

During the year, the Township was appropriated \$31,000 Community Development Block Grant (CDBG) funding through Macomb County and expended \$35,215 of current and previously appropriated CDBG funding. At June 30, 2007, the Township has \$10,442 available for future CDBG projects.

Macomb County pays CDBG project providers directly. The County maintains administrative control over the funding, monitors the programs and reports the programs in the County's Single Audit report.

NOTE 8 - PRINCIPAL TAXPAYERS AND UTILITY CUSTOMERS:

There are four (4) users that provide a significant portion of the utility (water and sewer) revenue. The revenues provided, and the approximate percentage of the utility system revenues for the year ended June 30, 2007 are summarized below:

	<u>Utility Charges</u>	
Macomb County		
Correctional Facility	\$ 324,697	50.5 %
Americana Estate	116,245	18.1
Quail Run	92,636	14.4
Millstone Pond	<u>53,108</u>	<u>8.3</u>
	<u>\$ 586,686</u>	<u>91.3 %</u>

NOTE 9 - SUMMARY OF INSPECTION DEPARTMENT:

The following schedule presents the Township's inspection department revenues and expenditures in accordance with Public Act 245 of 1999:

Revenues:

Building Permits	\$ 124,203
Electrical Permits	18,729
Mechanical Permits	10,725
Plumbing Permits	<u>4,924</u>
	<u>158,581</u>

Expenditures:

Salaries and Wages	164,393
Operating Supplies	1,689
Transportation	1,668
Communications	1,478
Education and Training	2,118
Miscellaneous	<u>1,954</u>
	<u>173,300</u>

Excess of revenues over (under) expenditures \$ (14,719)

Note: The above expenditures do not include all overhead expenditures.

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits to substantially all employees through a deferred contribution plan. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Township matches up to \$910 per year for employees not serving as officials, and contributes 15% of gross pay for elected officials. All contributions, both employer and employee, become 100% vested at the time of the contribution.

For the year ended June 30, 2007, the Township contributed \$29,499, and employees contributed \$38,110 to the plan.

NOTE 11 - RESERVED/DESIGNATED FUND BALANCE:

Reserved Fund Balance –

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available, but reserved for a specific purpose. The following is a summary of Reserved Fund Balance at June 30, 2007:

General Fund –	
Advance from other funds	\$ 1,216,778
Prepaid expenditure	<u>23,045</u>
	1,239,823
Fire Fund –	
Prepaid expenditure	25,703
Chapter 20 Drain –	
Debt Retirement	<u>33,552</u>
	<u>\$ 1,299,078</u>

Designated Fund Balance –

The Township Board has the power to designate or set aside all or a portion of unreserved fund balance for specific purposes. The following is a summary of the Board's designations at June 30, 2007:

New Township Hall	\$ 3,883,418
Gratiot Sewer Project	850,000
Recreation Fund	80,000
Long-term Investment	1,200,000
Senior Citizen	20,000
Contingencies	561,942
Sirens	35,000
EMS Capital Fund	10,000
Township Coalition	<u>10,000</u>
	<u>\$ 6,650,360</u>

LENOX TOWNSHIP, MICHIGAN
Macomb County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 12 - COMMITMENTS:

The Township has committed to the following contracts for the Township Hall at June 30, 2007.
(These commitments do not include contracts, which have been agreed to or change orders made after June 30, 2007.)

	<u>Contract Amount</u>	<u>Payments Through June 30, 2007</u>	<u>Remaining Balance June 30, 2007</u>
Construction	\$ 4,563,433	\$ 2,134,785	\$ 2,428,648
Engineering	232,107	214,681	17,426

REQUIRED SUPPLEMENTARY INFORMATION

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 360,000	\$ 360,000	\$ 363,266	\$ 3,266
Licenses and permits	95,000	95,000	161,229	66,229
Intergovernmental -				
Federal/State	350,000	350,000	316,616	(33,384)
Local	-	-	3,519	3,519
Charges for services	80,000	80,000	78,919	(1,081)
Fines and forfeits	55,000	55,000	13,487	(41,513)
Interest and rent	45,000	45,000	64,372	19,372
Other	8,000	8,000	45,538	37,538
Total Revenues	<u>993,000</u>	<u>993,000</u>	<u>1,046,946</u>	<u>53,946</u>
Expenditures:				
General Government -				
Legislative	8,250	9,550	10,001	(451)
Supervisor	50,400	51,000	52,319	(1,319)
Clerk	59,400	59,500	56,066	3,434
Treasurer	60,400	62,725	68,971	(6,246)
Assessor	65,200	76,165	81,106	(4,941)
Board of Review	550	1,850	1,675	175
Election	15,000	17,500	15,408	2,092
Township Hall	97,000	114,500	122,581	(8,081)
General Services	194,500	266,000	245,046	20,954
	<u>550,700</u>	<u>658,790</u>	<u>653,173</u>	<u>5,617</u>
Public Safety -				
Law Enforcement	230,000	250,000	260,856	(10,856)
Building and Inspection	125,250	127,700	173,300	(45,600)
	<u>355,250</u>	<u>377,700</u>	<u>434,156</u>	<u>(56,456)</u>
Public Works -				
Street Lighting	3,100	3,100	2,206	894
Health and Welfare -				
Community Action Program	-	-	8,776	(8,776)
Community and Economic Development -				
Planning Commission	38,800	38,800	53,688	(14,888)
Zoning Board of Appeals	2,000	2,000	1,920	80
	<u>40,800</u>	<u>40,800</u>	<u>55,608</u>	<u>(14,808)</u>
Recreation and Cultural -				
Township Park	8,500	39,000	49,876	(10,876)
Total Expenditures	<u>958,350</u>	<u>1,119,390</u>	<u>1,203,795</u>	<u>(84,405)</u>
Revenues over (under) expenditures	34,650	(126,390)	(156,849)	(30,459)
Other Financing Sources:				
Transfers in	-	-	13,683	13,683
Net Change in Fund Balance	34,650	(126,390)	(143,166)	(16,776)
Fund Balance at beginning of year	2,634,773	2,634,773	2,634,773	-
Fund Balance at end of year	<u>\$ 2,669,423</u>	<u>\$ 2,508,383</u>	<u>\$ 2,491,607</u>	<u>\$(16,776)</u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FIRE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 500,000	\$ 500,000	\$ 524,098	\$ 24,098
Intergovernmental - federal	-	-	100,385	100,385
Interest	10,000	10,000	34,723	24,723
Other	10,000	10,000	15,000	5,000
Total Revenues	<u>520,000</u>	<u>520,000</u>	<u>674,206</u>	<u>154,206</u>
Expenditures:				
Public Safety	<u>359,900</u>	<u>507,320</u>	<u>598,733</u>	<u>(91,413)</u>
Revenues over expenditures	<u>160,100</u>	<u>12,680</u>	<u>75,473</u>	<u>62,793</u>
Fund Balance at beginning of year	<u>792,208</u>	<u>792,208</u>	<u>792,208</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 952,308</u></u>	<u><u>\$ 804,888</u></u>	<u><u>\$ 867,681</u></u>	<u><u>\$ 62,793</u></u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PTA SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Interest	\$ 9,000	\$ 9,000	\$ 200,667	\$ 191,667
Other	3,588,391	3,588,391	3,558,020	(30,371)
Total Revenues	<u>3,597,391</u>	<u>3,597,391</u>	<u>3,758,687</u>	<u>161,296</u>
Expenditures:				
General Government	1,750,000	1,750,000	2,280,912	(530,912)
Public Safety	50,000	50,000	22,198	27,802
Public Works	202,000	202,000	194,628	7,372
Health and Welfare	276,032	500,000	238,240	261,760
	<u>2,278,032</u>	<u>2,502,000</u>	<u>2,735,978</u>	<u>(233,978)</u>
Revenues over expenditures	<u>1,319,359</u>	<u>1,095,391</u>	<u>1,022,709</u>	<u>(72,682)</u>
Other Financing Uses:				
Transfer out	(479,359)	(479,359)	-	479,359
Net Change in Fund Balance	840,000	616,032	1,022,709	406,677
Fund Balance at beginning of year	<u>7,292,230</u>	<u>7,292,230</u>	<u>7,292,230</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 8,132,230</u>	<u>\$ 7,908,262</u>	<u>\$ 8,314,939</u>	<u>\$ 406,677</u>

OTHER SUPPLEMENTARY INFORMATION

LENOX TOWNSHIP
Macomb County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	Special Revenue Funds				Debt Service Fund	
	Road	Liquor Law Enforcement	Monitoring Fee	Environmental Protection	Chapter 20 Drain	Total
ASSETS						
Cash and cash equivalents	\$ 404,502	\$ -	\$ 7,890	\$ -	\$ -	\$ 412,392
Investments		-	-	-	33,496	33,496
Interest receivable	-	-	-	-	56	56
Due from other funds	-	11,827	-	-	-	11,827
Total Assets	<u>\$ 404,502</u>	<u>\$ 11,827</u>	<u>\$ 7,890</u>	<u>\$ -</u>	<u>\$ 33,552</u>	<u>\$ 457,771</u>
FUND BALANCE						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ 102	\$ -	\$ -	\$ 102
Fund Balance:						
Reserved for Debt Retirement	-	-	-	-	33,552	33,552
Unreserved	404,502	11,827	7,788	-	-	424,117
Total Fund Balance	<u>404,502</u>	<u>11,827</u>	<u>7,788</u>	<u>-</u>	<u>33,552</u>	<u>457,669</u>
Total Liabilities and Fund Balance	<u>\$ 404,502</u>	<u>\$ 11,827</u>	<u>\$ 7,890</u>	<u>\$ -</u>	<u>\$ 33,552</u>	<u>\$ 457,771</u>

LENOX TOWNSHIP
Macomb County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				Debt Service Fund	
	Road	Liquor Law Enforcement	Monitoring Fee	Environmental Protection	Chapter 20 Drain	Total
Revenues:						
Taxes	\$ 149,733	\$ -	\$ -	\$ -	\$ -	\$ 149,733
Intergovernmental -						
Federal/State	-	1,664	-	-	-	1,664
Charges for services	-	-	5,000	-	-	5,000
Interest	14,166	-	-	-	1,775	15,941
Total Revenues	<u>163,899</u>	<u>1,664</u>	<u>5,000</u>	<u>-</u>	<u>1,775</u>	<u>172,338</u>
Expenditures:						
Public Safety	-	-	1,523	5,670	-	7,193
Public Works	56,792	-	-	-	-	56,792
Total Expenditures	<u>56,792</u>	<u>-</u>	<u>1,523</u>	<u>5,670</u>	<u>-</u>	<u>63,985</u>
Revenues over (under) expenditures:	107,107	1,664	3,477	(5,670)	1,775	108,353
Other Financing Uses:						
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,683)</u>	<u>(13,683)</u>
Net change in funds balances	107,107	1,664	3,477	(5,670)	(11,908)	94,670
Fund Balances at beginning of year	<u>297,395</u>	<u>10,163</u>	<u>4,311</u>	<u>5,670</u>	<u>45,460</u>	<u>362,999</u>
Fund Balances at end of year	<u>\$ 404,502</u>	<u>\$ 11,827</u>	<u>\$ 7,788</u>	<u>\$ -</u>	<u>\$ 33,552</u>	<u>\$ 457,669</u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
Revenues:				
Taxes	\$ 130,000	\$ 130,000	\$ 149,733	\$ 19,733
Interest	5,000	5,000	14,166	9,166
Total Revenues	<u>135,000</u>	<u>135,000</u>	<u>163,899</u>	<u>28,899</u>
Expenditures:				
Public Works	<u>250,000</u>	<u>250,000</u>	<u>56,792</u>	<u>193,208</u>
Excess of revenues over (under) expenditures	(115,000)	(115,000)	107,107	222,107
Fund Balance at beginning of year	<u>297,395</u>	<u>297,395</u>	<u>297,395</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 182,395</u></u>	<u><u>\$ 182,395</u></u>	<u><u>\$ 404,502</u></u>	<u><u>\$ 222,107</u></u>

LIQUOR LAW ENFORCEMENT FUND

Revenues:				
Intergovernmental - State	\$ 1,650	\$ 1,650	\$ 1,664	\$ 14
Expenditures:				
Public Safety	<u>1,350</u>	<u>1,350</u>	<u>-</u>	<u>1,350</u>
Revenues over expenditures	300	300	1,664	1,364
Fund Balance at beginning of year	<u>10,163</u>	<u>10,163</u>	<u>10,163</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 10,463</u></u>	<u><u>\$ 10,463</u></u>	<u><u>\$ 11,827</u></u>	<u><u>\$ 1,364</u></u>

LENOX TOWNSHIP
Macomb County, Michigan

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
MONITORING FEE FUND				
Revenues:				
Charges for Services	\$ -	\$ -	\$ 5,000	\$ 5,000
Expenditures:				
Public Safety	-	-	1,523	(1,523)
Revenues over expenditures	-	-	3,477	3,477
Fund Balance at beginning of year	4,311	4,311	4,311	-
Fund Balance at end of year	<u>\$ 4,311</u>	<u>\$ 4,311</u>	<u>\$ 7,788</u>	<u>\$ 3,477</u>

ENVIRONMENTAL PROTECTION FUND

Revenues:				
Interest	\$ -	\$ -	\$ 1,775	\$ 1,775
Expenditures:				
Public Safety	-	-	5,670	(5,670)
Revenues under expenditures	-	-	(3,895)	(3,895)
Fund Balance at beginning of year	5,670	5,670	5,670	-
Fund Balance at end of year	<u>\$ 5,670</u>	<u>\$ 5,670</u>	<u>\$ 1,775</u>	<u>\$(3,895)</u>

FIDUCIARY FUNDS

LENOX TOWNSHIP
Macomb County, Michigan

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 174,568	\$ 8,653,389	\$ 8,770,231	\$ 57,726
Due from other funds	-	78,667	78,262	405
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 174,568</u></u>	<u><u>\$ 8,732,056</u></u>	<u><u>\$ 8,848,493</u></u>	<u><u>\$ 58,131</u></u>
Liabilities:				
Due to other funds	\$ 1,918	\$ 1,467,829	\$ 1,469,747	\$ -
Due to other governmental units	-	6,969,921	6,969,921	-
Due to individuals and agencies	172,650	294,306	408,825	58,131
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u><u>\$ 174,568</u></u>	<u><u>\$ 8,732,056</u></u>	<u><u>\$ 8,848,493</u></u>	<u><u>\$ 58,131</u></u>

AGENCY FUND

Assets:				
Cash and cash equivalents	\$ 174,568	\$ 576,055	\$ 692,897	\$ 57,726
Due from other funds	-	78,667	78,262	405
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 174,568</u></u>	<u><u>\$ 654,722</u></u>	<u><u>\$ 771,159</u></u>	<u><u>\$ 58,131</u></u>
Liabilities:				
Due to other funds	\$ 1,918	\$ 360,416	\$ 362,334	\$ -
Due to individuals and agencies	172,650	294,306	408,825	58,131
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u><u>\$ 174,568</u></u>	<u><u>\$ 654,722</u></u>	<u><u>\$ 771,159</u></u>	<u><u>\$ 58,131</u></u>

TAX FUND

Assets:				
Cash and cash equivalents	<u><u>\$ -</u></u>	<u><u>\$ 8,077,334</u></u>	<u><u>\$ 8,077,334</u></u>	<u><u>\$ -</u></u>
Liabilities:				
Due to other funds	\$ -	\$ 1,107,413	\$ 1,107,413	\$ -
Due to other governmental units	-	6,969,921	6,969,921	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u><u>\$ -</u></u>	<u><u>\$ 8,077,334</u></u>	<u><u>\$ 8,077,334</u></u>	<u><u>\$ -</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Supervisor and Members
of the Township Board
Lenox Township
Macomb County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lenox Township, Michigan as of and for the year ended June 30, 2007, which collectively comprise Lenox Township's basic financial statements and have issued our report thereon dated December 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lenox Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lenox Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by Lenox Township's internal control. We considered the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Preparation of Financial Statements In Accordance with Generally Accepted Accounting Principles.

Management routinely prepares internal financial information to assess operations and the financial position of the Township on an ongoing basis. Although the internal financial information is useful to management, it is not presented in accordance with generally accepted accounting principles. The Township contracts with us, the auditors, to assist in the preparation of adjustments to convert the financial statements to the modified accrual or accrual basis, to record the information necessary for the GASB 34 adjustments, and to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles. (During our audit we proposed various audit entries, some of which were significant to the financial statements.)

Although we believe that the Township's accounting staff has the expertise and technical ability to prepare the basic number section of the financial statements, they require our assistance in preparing the notes to the financial statements and for certain technical assistance in preparing generally accepted accounting principle financial statements. We do not recommend any changes to this situation at this time, however, are reporting it as required under professional standards.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenox Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lenox Township in a separate letter dated December 18, 2007.

This report is intended solely for the information and use of management, the members of the Township Board, and others within Lenox Township, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvais & Whipple".

December 18, 2007

MANAGEMENT LETTER

To the Supervisor and Members
of the Township Board
Lenox Township
Macomb County, Michigan

As you know, we have recently completed our audit of the basic financial statements of Lenox Township, Michigan as of and for the year ended June 30, 2007. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and the operational efficiency of the Township's recordkeeping system. These suggestions are a result of our evaluation of internal accounting control for audit purposes and our discussions with management. As noted in the **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**, dated December 18, 2007, the conditions described below are not considered significant deficiencies or material weaknesses.

A budget should be adopted for all special revenue funds.

As noted in the notes to the financial statements, we noted that a budget has not been adopted for the Monitoring Fee or the Environmental Protection special revenue funds. Public Act 621 of 1968, requires special revenue funds adopt a budget for each fiscal year. In the future we recommend the Township adopt a budget for all special revenue funds.

The Township should consider allocating the expenditures for fringe benefits, ie., retirement, hospitalization, social security, etc., in the general fund to the related departments.

Currently the Township records all costs for employee hospitalization, social security, medicare, retirement, and other fringe benefits in one department in the general fund for all general fund employees. Recording all of these costs in a single department does not allow the Township to determine the total costs to operate a specific department.

Furthermore, GASB 34 requires these expenses to be spread to the respective functions, ie., general government, public safety, recreation and cultural, for the financial statements.

We recommend the Township either begin to allocate these costs to each department in the general fund or prepare an allocation to each department at the end of the year for financial statement purposes.

This report is intended solely for the information and use of management, the Township Board, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,



December 18, 2007